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ANNUAL REPORT to *Stockholders*

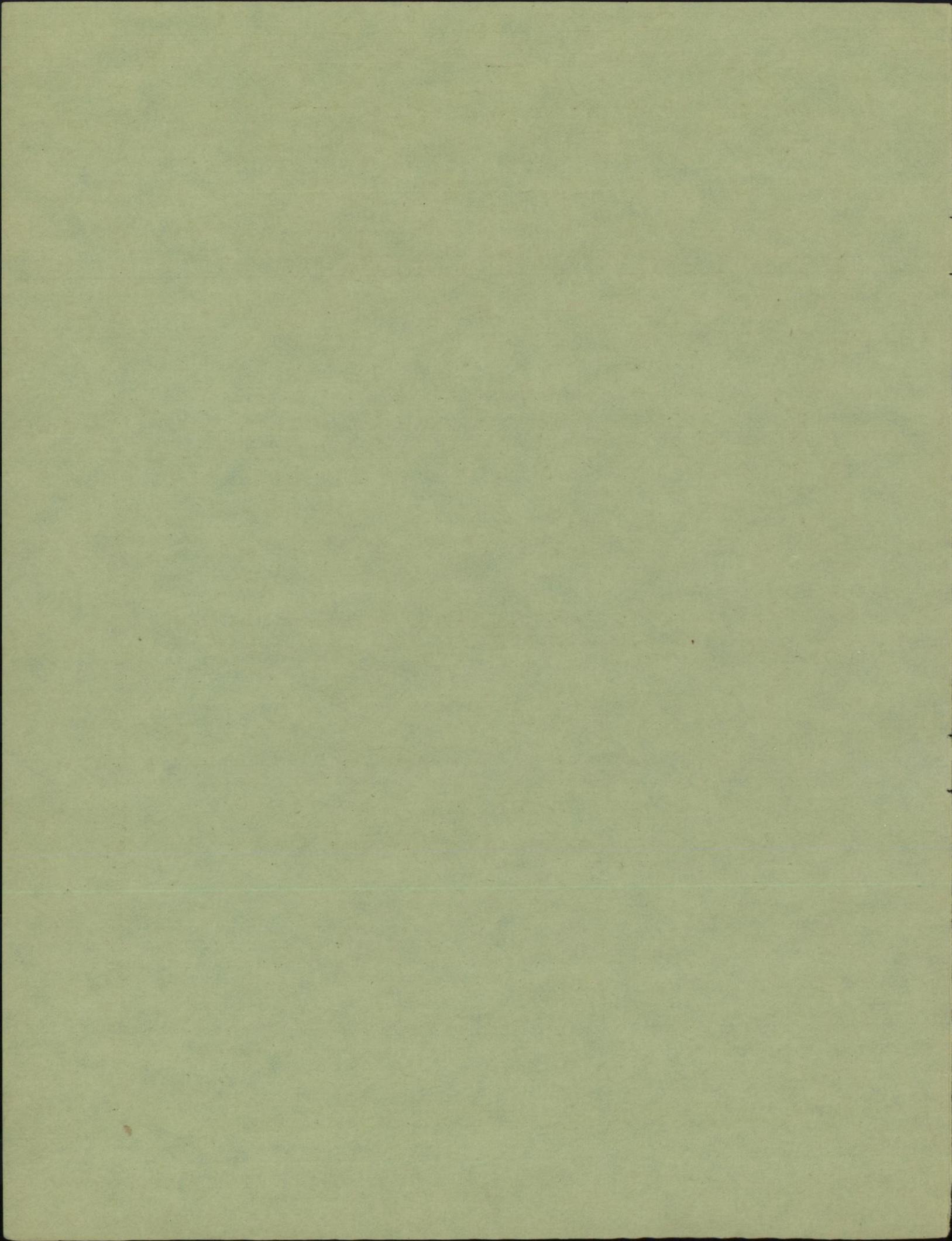


December 31, 1928

MONTGOMERY WARD & CO.,
INCORPORATED

BOARDS

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Annual Report to Stockholders

MONTGOMERY WARD & CO., INCORPORATED

January 25, 1929

To the Stockholders:

Net Profit for 1928 was \$19,571,300, as compared with \$15,119,245 for 1927. Both in dollars and in percentage to Net Sales, the 1928 profit was the best in the Company's history. Improved merchandising and a substantial increase in sales were the principal factors contributing to increased profit.

Current Assets on December 31, 1928, totaled \$93,197,569 and Current Liabilities were \$17,193,792, giving a Credit Ratio of 5.42 to 1, compared with 5.08 to 1 a year ago. This improvement is largely a reflection of the new cash received from Stockholders in December, 1928.

The Comparative Balance Sheet shows several important changes. The increase in Accounts Receivable is attributable to the satisfactory volume of sales under the Time Payment Plan. Profits from this activity are substantial, the credits are most carefully scrutinized and the balances outstanding are protected by a liberal reserve.

Inventories are much larger than a year ago. Expansion of our Chain Store and Retail Department Store program has gone forward rapidly. On December 31st we had approximately 250 of these stores in operation. In addition to the store inventory requirements, it was necessary to provide enlarged stocks for our new Fort Worth House, for the new Mail Order Plant at Denver, which opens this month, and for an expected substantial increase in 1929 sales.

In accordance with plans outlined when the additional shares of Common Stock were offered, the accompanying statements of subsidiary companies show that funds have been deposited with the respective trustees for the retirement of all outstanding bonds after the customary legal formalities have been completed. Your Company now completely owns all of the Mail Order Plants.

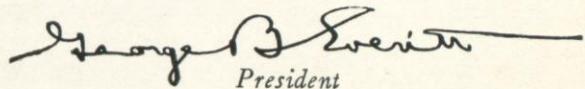
As announced in my October 16, 1928 letter to Stockholders, the Common stock has been placed on an annual dividend basis of \$2.50 by declaring a regular quarterly dividend of 62 1/2¢ per share, payable February 15, 1929, to holders of record at the close of business February 4, 1929. This is equivalent to an annual rate of \$7.50 on the previously outstanding Common shares.

The offer of stock to employees mentioned in last year's report, was greatly over-subscribed. Believing that an extension of the employee ownership plan is desirable, we are planning to offer additional shares to employees. For that purpose, we ask your approval, in the enclosed proxy for the Annual Meeting of Stockholders to be held February 22, 1929, to the setting aside of 200,000 shares of the unissued Common stock to be sold to employees under such terms as your Board of Directors may from time to time determine.

As a general distributor of merchandise, the prospects of your Company are very favorable. With the opening of the Denver and Albany Mail Order Plants, we will have 9 major houses strategically located. During 1929, at least 250 additional Chain Stores will be placed in operation and there will be some increase in the number of Retail Department Stores. This expansion program will greatly improve our distribution facilities and should result in satisfactory increases of sales and profits.

We have included in this report pictures and information regarding the Company's development, which will interest all Stockholders.

MONTGOMERY WARD & CO., INCORPORATED



George B. Everett
President

MONTGOMERY WARD

BALANCE SHEET (Compared with

ASSETS

December 31, 1927

December 31, 1928

Current and Working Assets:

Cash.....	\$12,192,773.86	\$13,942,737.52
Marketable Securities.....	669,710.25	596,147.00
Accounts and Notes Receivable (less reserve)....	9,550,556.95	17,005,828.33
Inventories of Merchandise and Supplies.....	31,516,765.58	59,762,945.44
Prepaid Spring Catalogue Costs, Insurance, Rents, etc.....	<u>1,618,013.62</u>	<u>1,889,910.64</u>
Total Current and Working Assets.....	\$55,547,820.26	\$ 93,197,568.93

Employees' Investment and Savings Plan:

Due on Common Stock sold Employees	1,279,305.00	1,261,933.93
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Investments—Affiliated Companies.....	1,594,782.16	1,472,704.16
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Fixed Assets:

Equities in Subsidiary Property Corporations,
as per Balance Sheets attached:

Montgomery Ward Properties Corporation..	\$ 2,337,722.78	\$10,874,699.74
Montgomery Ward Section "C" Associates..	1,418,708.30	2,752,009.08
Montgomery Ward Warehouse Company...	<u>2,330,481.31</u>	<u>3,472,928.36</u>
	\$ 6,086,912.39	\$17,099,637.18
Land and Buildings (less depreciation)	6,255,651.59	7,310,104.72
Machinery and Equipment (less depreciation)...	3,836,109.83	7,291,678.31
Retail and Chain Store Leasehold Improvements, etc. (less depreciation)	<u>63,167.82</u>	<u>2,981,576.47</u>
Total Fixed Assets.....	16,241,841.63	34,682,996.68

\$74,663,749.05

\$130,615,203.70

& CO., INCORPORATED

- DECEMBER 31, 1928
December 31, 1927)

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LIABILITIES	<i>December 31, 1927</i>	<i>December 31, 1928</i>
Current Liabilities:		
Notes Payable	None	None
Accounts Payable	\$ 5,423,834.21	\$11,543,531.12
Due Customers	2,921,655.60	2,898,711.66
Accrued Expenses, including General and Federal Taxes	2,604,961.59	2,751,549.48
Total Current Liabilities	\$10,950,451.40	\$ 17,193,792.26
General Reserves	1,836,754.96	1,906,910.06
Capital Stock:		
<i>Authorized:</i>		
Class "A"—\$7 per Share Cumulative:		
205,000 shares having no par value.		
(On liquidation or dissolution receives \$100 per share)		
Common—No par value		
1,285,000 shares	December 31, 1927.	
6,000,000 shares	December 31, 1928.	
<i>Issued:</i>		
Class "A"—205,000 shares no par value		
Common—No par value		
1,141,251 shares	December 31, 1927.	
*3,410,983 shares	December 31, 1928.	
Earned Surplus	35,680,257.61	45,597,906.30
	<u>\$74,663,749.05</u>	<u>\$130,615,203.70</u>

*Of 2,282,502 shares offered to stockholders on November 19th, 2,269,732 shares were subscribed and paid for in the amount of \$39,720,310 by December 28, 1928. Of the remaining 12,770 shares, rights were exercised for 11,294 shares as of the date of this certificate, the remaining 1,476 shares being in process of adjustment.

We have audited the accounts of Montgomery Ward & Co., Incorporated, for the year ended December 31, 1928, and certify that the above Balance Sheet and accompanying Income and Surplus Accounts are in accordance therewith, and, in our opinion, correctly set forth the financial position of the Company as at December 31, 1928, and the result of its operations for the year to that date. Inventories of merchandise and supplies have been valued at cost or market, whichever was lower. There is a contingent liability in respect to guaranteee of the mortgage bonds of \$170,000 now outstanding, issued by the Eagle Paper Company, Joliet, Illinois.

ARTHUR YOUNG & CO.
Certified Public Accountants.

Chicago, Illinois, January 23, 1929.

MONTGOMERY WARD & CO., INCORPORATED

INCOME ACCOUNT For the Years ended December 31, 1927 and 1928

	1927	1928
Net Sales	\$186,683,340.00	\$214,350,446.00
<i>Less:</i>		
Cost of goods sold, wages, operating, general and selling expenses, advertising and all administrative charges, including interest and general taxes.....	\$170,795,388.97	\$193,914,894.73
Depreciation on properties, leasehold improvements and equipment.....	768,705.46	864,251.16
	<u>171,564,094.43</u>	<u>194,779,145.89</u>
Net Profit (before Federal Income Tax)	<u>\$ 15,119,245.57</u>	<u>\$ 19,571,300.11</u>
Percentage to Net Sales.....	8.10%	9.13%

EARNED SURPLUS ACCOUNT As at December 31, 1927 and 1928

	1927	1928
Balance at January 1st	\$ 28,524,961.12	\$ 35,680,257.61
Net Profit for the year as above.....	\$ 15,119,245.57	\$ 19,571,300.11
Reserved for Federal Income Tax.....	<u>1,991,814.08</u>	<u>1,867,465.52</u>
Earned on Class "A" Stock.....	\$ 13,127,431.49	\$ 17,703,834.59
<i>Deduct:</i>		
Dividends on Class "A" Stock.....	<u>1,427,818.00</u>	<u>1,427,818.00</u>
Earned on Common Stock.....	\$ 11,699,613.49	\$ 16,276,016.59
<i>Deduct:</i>		
Dividends on Common Stock.....	<u>4,544,317.00</u>	<u>5,673,212.00</u>
<i>Deduct:</i>		
Expenses incident to increase in Common Stock; and premium and other costs in connection with Retirement of Bonds of Subsidiary Companies.....	<u>—</u>	<u>685,155.90</u>
Balance added to Surplus.....	<u>7,155,296.49</u>	<u>9,917,648.69</u>
Balance at December 31st	<u>\$ 35,680,257.61</u>	<u>\$ 45,597,906.30</u>

Earnings per share on outstanding shares of Common Stock

	1927	1928
On 1,141,251 shares.....	\$10.25	\$14.26
On 3,410,983 shares.....	<u>—</u>	<u>\$ 4.77</u>

RECORD OF NET SALES Years ended December 31st

1928	\$214,350,446
1927	186,683,340
1926	183,800,865
1925	170,592,642
1924	150,045,065
1923	123,702,043
1922	84,738,826
1921	68,523,244

BALANCE SHEETS OF SUBSIDIARY COMPANIES

as at December 31, 1928

MONTGOMERY WARD PROPERTIES CORPORATION

Assets:

Land and Buildings (less depreciation)	<u>\$10,874,699.74</u>
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Liabilities:

First Mortgage Gold Bonds Series "A"—5%	\$5,577,500.00
Premium thereon	139,437.50
Interest accrued to May 1, 1929	<u>139,437.50</u>
	<u>\$5,856,375.00</u>

Less: Cash on Deposit with First National Bank of
the City of New York to effect redemption

Equity of Montgomery Ward & Co., Incorporated:	
Current Account	\$9,124,699.74
Capital Stock 17,500 Shares, \$100 par	<u>1,750,000.00</u>

Less: Cash on Deposit with First National Bank of
the City of New York to effect redemption

	<u>5,856,375.00</u>
	<u>\$10,874,699.74</u>

MONTGOMERY WARD SECTION "C" ASSOCIATES

Assets:

Land and Buildings (less depreciation)	<u>\$ 2,752,009.08</u>
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Liabilities:

First Mortgage Serial Gold Notes—5½%	\$1,200,000.00
Premium thereon	52,500.00
Interest accrued to February 10, 1929	<u>33,000.00</u>
	<u>\$1,285,500.00</u>

Less: Cash on Deposit with Northern Trust Company
of Chicago, to effect redemption

Equity of Montgomery Ward & Co., Incorporated:	
Current Account	\$2,652,009.08
Capital Stock 1000 Trust Shares, \$100 par	<u>100,000.00</u>

Less: Cash on Deposit with Northern Trust Company
of Chicago, to effect redemption

\$ 2,752,009.08

MONTGOMERY WARD WAREHOUSE COMPANY

Assets:

Land and Buildings (less depreciation)	<u>\$ 3,472,928.36</u>
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Liabilities:

First Mortgage Serial Gold Bonds—5½%	\$1,050,000.00
Premium thereon	21,000.00
Interest accrued to April 1, 1929	<u>28,875.00</u>
	<u>\$1,099,875.00</u>

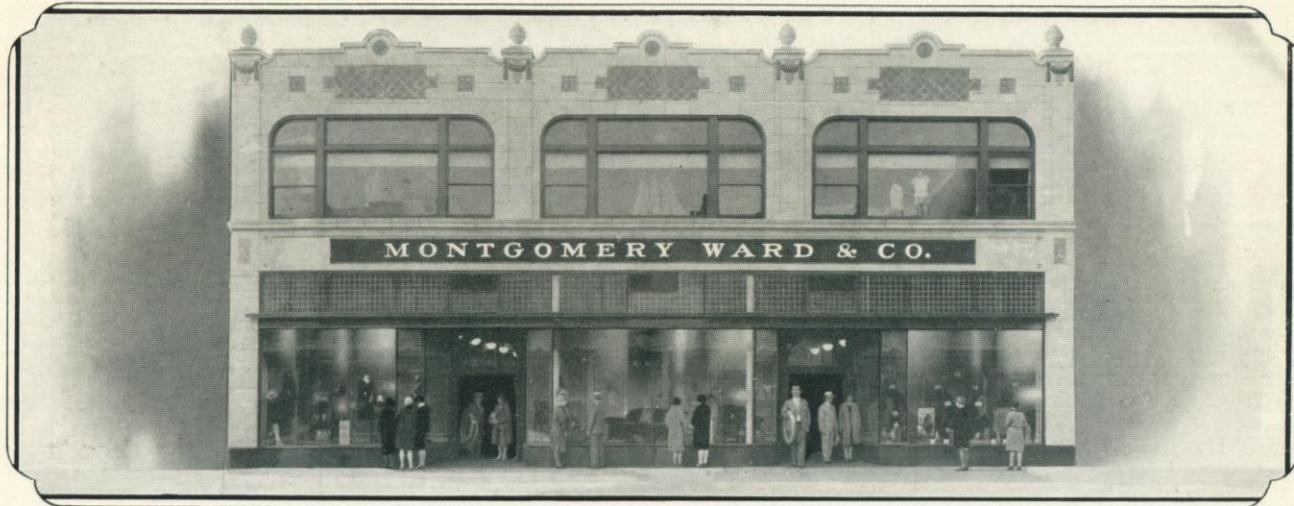
Less: Cash on Deposit with First Trust and Savings Bank
of Chicago, to effect redemption

Equity of Montgomery Ward & Co., Incorporated:	
Current Account	\$2,972,928.36
Capital Stock 5000 Shares, \$100 par	<u>500,000.00</u>

\$ 3,472,928.36

888

WARD'S NATION- INTO THE CHAIN



Ward's Chain Store, located in the heart of the business section of Galesburg, Illinois. An example of the fine type of store we are now opening. This Store serves the rich market that lies within a radius of 40 miles around Galesburg.



A window display featuring our Mid-Winter Sale, which appeared simultaneously in all Ward's Chain Stores.

RAPID and aggressive expansion into the Chain Store and Retail Store fields is further strengthening the position of your Company as a nation-wide distributor of quality merchandise. This expansion is intended to supplement our mail order efforts, and to further promote good will by providing additional personal service to our customers, both old and new. Obviously, it is impossible to stock in our Chain Stores more than a portion of the 35,000 articles listed in our Catalogue. So by attracting new customers through our Chain and Retail Stores, both retail and mail order sales are stimulated, and it is anticipated that our total sales volume, for all branches of the business, will increase rapidly.

In two years Ward's Chain Store System has grown from one small store in Marysville, Kansas, to a huge network that extends from coast to coast. Today approximately 250 stores sell Ward's merchandise in the country's strategic marketing centers of 5,000 to 75,000 population. Yet this is only a beginning. During 1929 we plan to more than double the number of stores in our chain.



An effective window display at our Santa Ana, California, store, featuring Ward's famous Riverside Tires and Tubes.



A typical Ward's window display of women's apparel. Many of our store windows carry a distinctly feminine appeal.

WIDE EXPANSION IN STORE FIELD



Our spacious store in Lincoln, Nebraska, another of Ward's new, modern Chain Store units. During 1929 Ward's will add several hundred new stores to the network of Chain Stores that already extends from coast to coast.

PROGRESS is not only evidenced by the steadily increasing number of Ward's Chain Stores—but in the constantly improving type of store as well. Contrasted with our first small store in Marysville, Kansas—a store of one floor and basement, about 5,000 square feet of floor space, and a half dozen employees—the average Ward Chain Store being opened today occupies at least three floors with approximately 25,000 square feet of floor space and its operation requires the services of 30 to 40 employees. It is a store that incorporates all the improvements our experience has brought to light—modern in every respect—built not only for today—but for tomorrow. The equipment is of the very newest type, designed for economical store operation and the effective display of our merchandise. A special department prepares timely window and counter displays for all stores on regular schedule. Typical window trims and a typical store interior are shown on these pages. Ward's Chain Stores are making good their slogan—"We Are Out to Make Ward's The Store of The Town!"



General merchandise display on the main floor of our store at South Manchester, Connecticut. This arrangement is typical.



A display for men at Springfield, Ohio. Men's clothing in a smart window setting, emphasizing our style and quality.



Window display of the famous Wardway Gyrator Washer—a silent salesman that points out 10 features of superiority.

Ward's

WARD'S LARGE RETAIL ESTABLISHED IN



Ward's thoroughly modern Retail Store, located in the busy shopping district of Columbus, Ohio, and which will be opened early in March, 1929. This addition to our Department Store organization is representative of the fine type of Retail Stores we are erecting in the larger cities.



Montgomery Ward & Co.'s. new Retail Store located in the center of the business section of Little Rock, Arkansas.

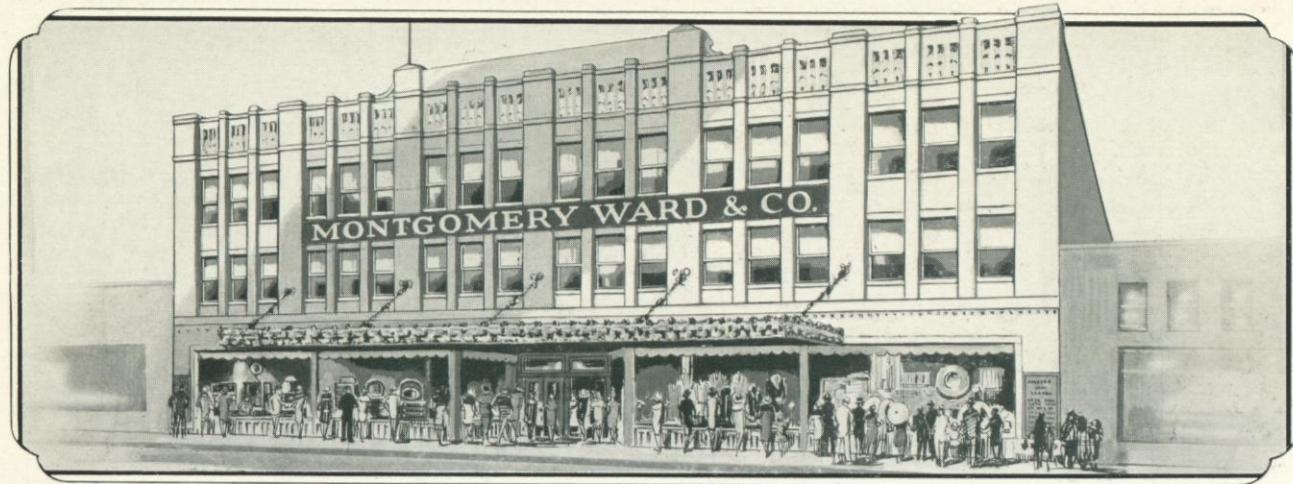


A section of the main floor of Ward's Retail Store in Omaha, Nebraska, showing general arrangement and display of merchandise.

ONE of the most important steps in our expansion program during 1928 was the development of a chain of Retail Department Stores in the larger cities with populations of 75,000 or more. Through this expansion we are able to reach a city market that could be developed only to a very limited extent by our Mail Order selling method. During the year, ten new modern stores have been added to our Retail Department Store System, giving us a nation-wide chain of eighteen of the large retail distributing units. Our selection of locations for these stores includes such outstanding marketing centers as: Birmingham, Alabama; Denver, Colorado; Omaha, Nebraska; Sacramento, California; San Antonio, Texas; and Tacoma, Washington. Each of these cities embraces a retail trading area of several hundred square miles.

Though our expansion in this new field during 1928 has been substantial, it is really only beginning. Our 1929 schedule calls for the establishment of additional Retail Department Store units that will almost double our present number. This development, which will enable us to become firmly entrenched in the larger city markets, will materially strengthen the position of your Company in the field of general merchandise distribution.

STORES RAPIDLY BEING LEADING CITIES



Another excellent example of the new type of Ward's Retail Store. This one is located in the heart of the new business section of San Antonio, Texas. Here Ward's merchandise is displayed and sold over-the-counter to customers drawn from a wide area to this southern marketing center.

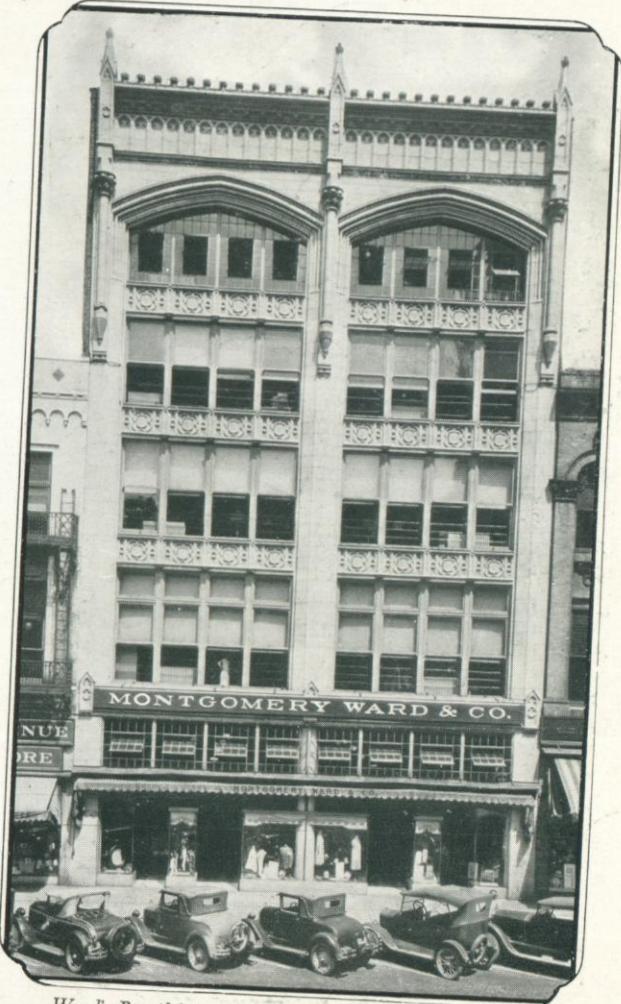


The Furniture Department of Ward's Retail Store at Tacoma, Washington. Stores are departmentized according to merchandise lines.

EARLY in March, 1929, our new Department Store at Columbus, Ohio (illustrated on the opposite page) will be opened to the public. This striking, modern building is typical of the entire Department Store Chain we are establishing under our present expansion program. These stores compare very favorably in architectural design and interior arrangements with leading stores in the cities in which they are located. Fixtures, arrangement of interiors, window displays, etc., are such that a most attractive background is provided for Ward's merchandise. Each Store is representative of the most progressive, present-day, department store layout and design.

The personnel is of the highest type, carefully selected and trained to make the most favorable contact between Montgomery Ward & Co. and the buying public.

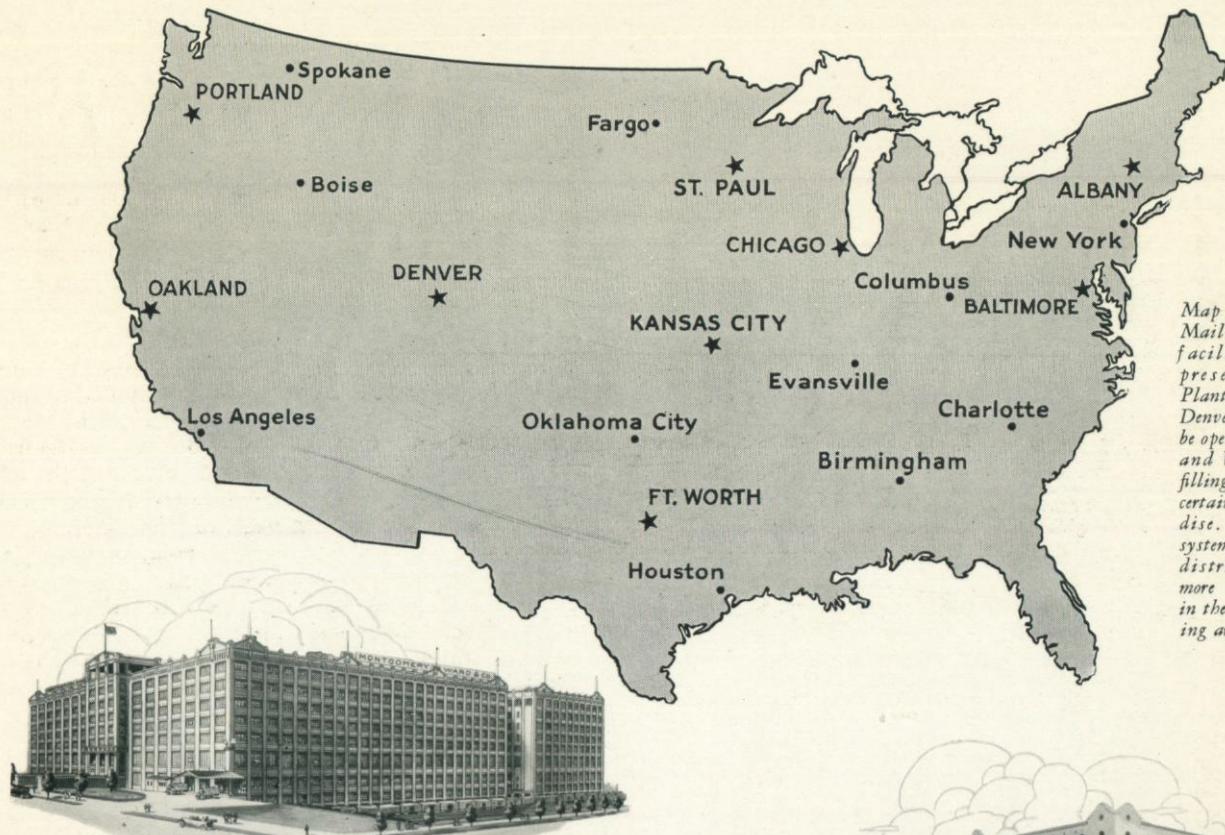
We are justly proud of this new development, principally because it provides the means of our reaching a metropolitan market which we formerly were unable to fully develop. Our Retail Department Stores bring to many thousands of people heretofore unacquainted with this Company, a complete understanding of Ward's standards of service and satisfaction. And these stores gain for us many thousands of new customers, by bringing to their personal attention the style, quality and outstanding value of our merchandise.



Ward's Retail Store, in the business district of Birmingham, Alabama. This Store was opened in February, 1928.

1888

MONTGOMERY WARD EXPANSION OF MAIL



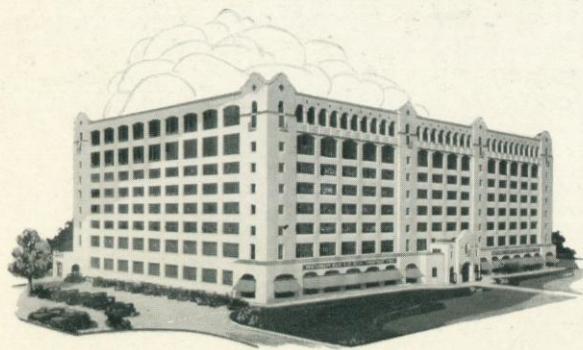
Map showing Ward's Mail Order distributing facilities, including present Mail Order Plants, new Plants in Denver and Albany (to be opened early in 1929) and Warehouses for filling mail orders on certain lines of merchandise. This expanded system for mail order distribution insures more complete coverage in the outstanding buying areas of the nation.

Ward's Mail Order Plant at Kansas City, Missouri



Ward's New Mail Order Plant at Denver, Colorado

Ward's Mail Order Plant at Oakland, California



Ward's New Mail Order Plant at Ft. Worth, Texas



Ward's Mail Order Plant at Portland, Oregon

& CO. CONTINUES ORDER PLANTS

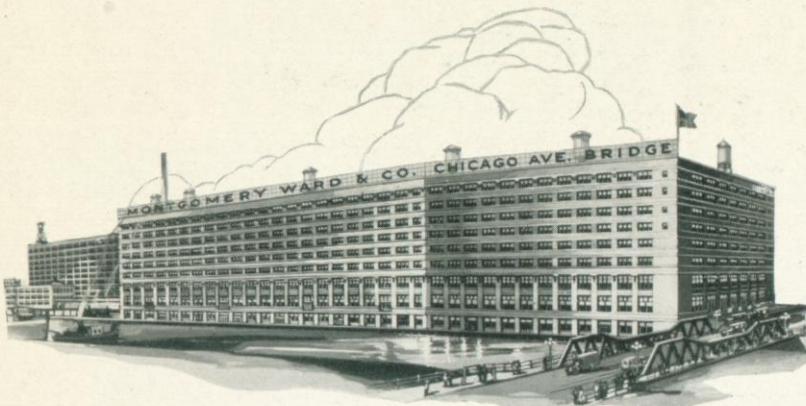
MONTGOMERY WARD & CO.'s Mail Order activities and physical facilities for handling this division of our business are also undergoing substantial expansion.

During the past year, a modern Mail Order distributing plant was erected at Fort Worth, Texas, to enable us to more economically and efficiently handle the great volume of trade developed in the Southwest.

During the first six months of 1929, two additional Mail Order Houses will be added to our nation-wide system. After intensive research and consideration, it was decided to establish Mail Order Plants at Denver, Colorado, and Albany, New York. The striking architectural designs of these buildings are illustrated on these pages. Each building is eight stories high and provides more than 700,000 square feet of floor area, with ample facilities for handling the greatly increased volume of mail order sales that we anticipate will develop in the Rocky Mountain area and in the Northeastern States with the opening of these new Mail Order Houses.

Both Denver and Albany will carry a complete stock of Ward's merchandise—and, like our other Mail Order Houses, will perform a double function. They will provide better service—quicker deliveries with lower transportation costs—to many thousands of Ward's Mail Order customers. They also will serve as sources of stock supply for our Chain and Department Stores operating in these areas.

Each House will also contain a modern Retail Department Store where our customers may secure Ward's merchandise over-the-counter.



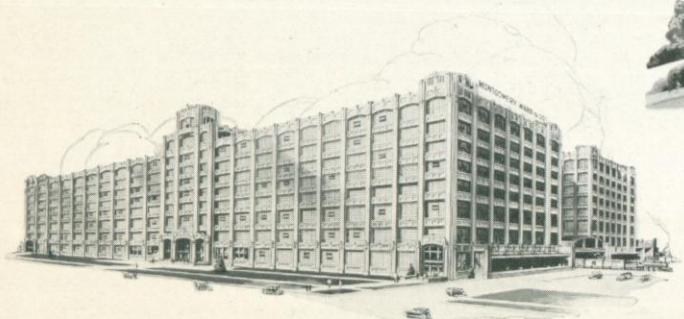
Ward's Mail Order Plant at Chicago, Illinois



Ward's Mail Order Plant at St. Paul, Minnesota



Ward's New Mail Order Plant at Albany, New York



Ward's Mail Order Plant at Baltimore, Maryland

OFFICERS

GEORGE B. EVERITT, *President*

ALBERT S. SCOTT, *Vice President, Treasurer and Secretary*

ANDREW YOUNG, *Vice President*

THOMAS P. RIORDAN, *Assistant Secretary*

WILLIAM P. ERICKSON, *Assistant Secretary and Assistant Treasurer*

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*Winston, Strawn & Shaw,
Chicago*

GEORGE B. EVERITT

President

CHAIRMAN OF EXECUTIVE COMMITTEE

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*President, Johns-Manville Corporation,
New York*

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President, American Steel Foundries, Chicago

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Chicago*

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*Trustee, Estates of A. Montgomery Ward and
George R. Thorne, Chicago*

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*President, B. A. Eckhart Milling Co.,
Chicago*

ROBERT J. THORNE
*Director, Illinois Merchants Trust Company,
Chicago*

